

VZCZCXYZ0004
RR RUEHWEB

DE RUEHLP #0384/01 0441134
ZNY CCCCC ZZH
R 131134Z FEB 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 2449
INFO RUEHAC/AMEMBASSY ASUNCION 6527
RUEHSW/AMEMBASSY BERN 0125
RUEHBO/AMEMBASSY BOGOTA 3851
RUEHBR/AMEMBASSY BRASILIA 7736
RUEHBS/AMEMBASSY BRUSSELS 0707
RUEHBU/AMEMBASSY BUENOS AIRES 4981
RUEHCV/AMEMBASSY CARACAS 2220
RUEHPE/AMEMBASSY LIMA 2316
RUEHMD/AMEMBASSY MADRID 3311
RUEHMN/AMEMBASSY MONTEVIDEO 4401
RUEHNE/AMEMBASSY NEW DELHI 0106
RUEHQH/AMEMBASSY QUITO 4863
RUEHSG/AMEMBASSY SANTIAGO 9451
RUEHKO/AMEMBASSY TOKYO 0286
RUEHUB/USINT HAVANA 0141
RHMFISS/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHC/DEPT OF INTERIOR WASHINGTON DC
RUEHC/DEPT OF LABOR WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC

C O N F I D E N T I A L LA PAZ 000384

SIPDIS

SIPDIS

STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

E.O. 12958: DECL: 02/11/2017

TAGS: EMIN EINV ECON PREL PGOV BL SZ

SUBJECT: GOB NATIONALIZES SWISS-OWNED TIN SMELTER

REF: 06 LA PAZ 3090

Classified By: Amb. Philip S. Golberg for reason 1.4 (c).

SUMMARY

¶1. (C) President Morales nationalized a Swiss-owned tin smelter February 9, reportedly sending troops to occupy the facility while publicly announcing it would refuse to provide compensation. The GOB cited "grave illegalities" in the sale of the state-owned enterprise as justification, later announcing its intent to assume control of all businesses once held by former President Gonzalo "Goni" Sanchez de Lozada, whose company controlled the smelter until its 2005 sale to Swiss firm Glencore International. Swiss and EU representatives made no official statements, telling Econoff February 12 that they preferred to await additional information from Glencore. The GOB's action appears to be politically motivated and is perhaps an indication of officials' growing frustration with their inability to secure Goni's extradition. End summary.

GOB NATIONALIZES TIN SMELTER

¶2. (U) President Morales issued a supreme decree nationalizing the Swiss-owned Vinto tin smelter February 9, sending "dozens" of troops to occupy the facility and declaring that the GOB would not provide "even a cent" of compensation. Press reports described a peaceful take-over,

with the smelter's 450 staff allowing military and police to occupy offices with little protest. Morales guaranteed employees their jobs and announced a \$10 million plant modernization effort, noting that new work would create jobs and ensure the facility's continued operation.

¶3. (U) The GOB cited "grave illegalities" in the sale of the state-owned enterprise as justifications for its take-over, later announcing its intent to "recover for the state" all businesses once held by former President Gonzalo "Goni" Sanchez de Lozada, whose firm controlled the smelter until its 2005 sale to Swiss mining powerhouse Glencore International. Morales further implied that certain aspects of the smelter's operation violated Bolivian law, declaring that "if businesses are stealing money from the Bolivian people (and) not respecting Bolivian law," the GOB had no alternative but to "recover those businesses" for the state. In subsequent remarks, Morales argued that it should be the GOB seeking compensation, not Glencore.

¶4. (U) Minister of Mining Jose Dalence echoed Morales' comments, adding February 11 that the GOB was "unafraid" of the nationalization's legal repercussions and asserting that "states have the right to take any action with respect to natural resources." Dalence largely dismissed the ramifications of any attempt by Glencore to seek compensation, ignoring earlier calls by a representative of Switzerland's Office of Cooperation in Bolivia to respect the terms of the two countries' reciprocal investment treaty and guarantee the security of Swiss investments. Like Morales, Dalence indicated that the GOB would not make "a single payment" to the firm.

¶5. (C) Swiss and EU representatives made no official statements, telling Econoff February 12 that they preferred to await additional information from Glencore. Swiss representative Eros Robiani noted that the GOB's nationalization decree contained no legal claim against the company and provided no legal basis for expropriation; he also pointed out that the GOB's action violated the terms of Switzerland's investment protection treaty with Bolivia, which provides for compensation in the event of an asset expropriation. Robiani said the Swiss embassy would "do nothing" until Glencore determined its strategy and decided whether to seek private negotiations or pursue international arbitration. EU representative Ivo Hoaskans, Chief of the Political, Economic, and Commercial Section of the European Commission Delegation in Bolivia, told Econoff he was unfamiliar with the details and could not speak authoritatively until he established contact with Swiss officials and Glencore executives.

COMMENT

¶6. (C) The GOB's action appears to have taken all parties by surprise, despite Morales' late 2006 threats to "recover for the state" Glencore's tin smelter (reftel). The Swiss representative indicated that Glencore executives may devise a response late February 12 and could seek Swiss embassy intervention with GOB officials; he noted, however, that he thought it unlikely the GOB would honor its investment protection treaty.

¶7. (C) Comment continued: The nationalization appears to be politically motivated, with Goni's former properties the sole target. The move underscores GOB officials' growing frustration with their inability to secure Goni's extradition, a popular (if elusive) objective that remains at the top of their political agenda. Morales' suggestion that Goni return to Bolivia "to defend his goods" (even though he sold his mines and mills years ago and has no interest in Glencore) indicates just how deep that frustration runs -- and suggests just how far the GOB is willing to go to boost its political standing and provoke an old enemy. End comment.
GOLDBERG